

ENERGY/KPC/KOK/rhg

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA
EDISON COMPANY (U-338-E) for authority to
issue short-term notes in an aggregate principal
amount not to exceed, at any one time,
\$441,288,502 beyond that authorized by Public
Utilities Code Section 823(c).

Application 05-02-025
(Filed February 25, 2005)

OPINION

Summary

This decision grants Southern California Edison Company (SoCal Edison) the authority requested in Application (A.) 05-02-025 (Application).

Pursuant to §§ 816 through 830¹, SoCal Edison requests authority to issue short-term obligations from time-to-time through June 30, 2010 in an aggregate principal amount of \$776,301,000, of which \$441,288,502 is in excess of the limitations of § 823(c). SoCal Edison also requests permission to secure the issuances of short-term notes with the issuance of SoCal Edison's first and refunding mortgage bonds, enter into supplemental indentures, and encumber utility property.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of February 28, 2005. No protests have been received.

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

Background

SoCal Edison is a corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, heat and power in portions of central and southern California as a public utility subject to the jurisdiction of the Commission. SoCal Edison's properties, substantially all of which are located within the State of California, primarily consist of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in connection with its business.

For the year ended December 31, 2004, SoCal Edison reported total operating revenues of \$8,448,000,000 and net income of \$921,000,000. The balance sheet as of the same period is summarized as follows:

(\$ in millions)	
<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$12,535
Construction work in progress	789
Nuclear fuel, at amortized cost	151
Other Property and Investments	3,887
Current Assets	2,076
Deferred Charges	<u>3,852</u>
Total Assets	<u>\$23,290</u>
<u>Liabilities & Stockholders Equity</u>	
Capitalization	\$ 4,789
Long-term Debt	5,225
Current Liabilities	3,048
Deferred Credits	9,819
Minority Interest	<u>409</u>
Total Liabilities & Stockholders Equity	<u>\$23,290</u>

SoCal Edison currently has a short-term debt authorization of \$650 million, of which \$441,288,502 is the authorized amount in excess of the limitations of Pub. Util. Code § 823(c). The use of proceeds includes all of the purposes specified in § 817, including plant construction.

SoCal Edison's short-term debt authorization was granted by Decision (D.) 91433 dated March 18, 1980 in A.59461, as modified and extended by D.93787, D.84-05-060, D.85-06-010, D.87-05-044, D.90-08-050, D.93-09-035, D.96-07-054, and D.99-06-046. D.99-06-046 is the latest order that extended the period of authorization until June 30, 2005. SoCal Edison's authorized short-term debt ceiling amounts to 15.57% of the utility's total capitalization in December 31, 1979, as shown below.

Exhibit E attached to A.59461 shows that as of December 31, 1979, SoCal Edison had \$4,174,229,950 of securities outstanding:

<u>Security</u>	<u>Amount</u>
Original Preferred Stock	\$ 4,000,000
\$25 Cumulative Preferred Stock	283,754,950
\$100 Cumulative Preferred Stock	437,500,000
Preference Stock	62,000,000
Convertible Preference Stock	27,067,000
Common Stock	577,259,000
First and Refunding Mortgage Bonds	2,627,530,000
First Mortgage Bonds (California Electric Power Company)	66,000,000
3-1/8% Convertible Debentures	74,902,000
Other Long-Term Debt (Promissory Notes)	<u>14,217,000</u>
Total	\$4,174,229,950
5% Limit Allowed by 823(c)	\$ 208,711,498
Total Amount of Excess over Limit	<u>\$ 441,288,502</u>
Total Short-term Borrowing Ceiling	<u>\$ 650,000,000</u>

Section 823(c) states in part:

No public utility as defined in Section 201(e) of the Federal Power Act² shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months after the date of issuance of such notes on which such public utility is primarily or secondarily liable would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding.

Short-Term Borrowing Authorization Request

Because D.91433, as modified will expire on June 30, 2005, SoCal Edison by this Application³ estimates that its short-term debt requirements after June 30, 2005 would be in the aggregate principal amount of \$776,301,000. Of this amount, \$441,288,502 exceeds the limitations of § 823(c) and SoCal Edison wants to retain the same authority until June 30, 2010.

² Refers to entities engaged in the transmitting and selling of electric energy for ultimate distribution to the public.

³ Originally filed as a Petition to Modify D.91433, as modified, requesting an extension of time but re-filed as a new application upon instruction of the Docket Office.

Schedule I attached to the Application shows SoCal Edison's outstanding securities as of December 31, 2004:

<u>Security</u>	<u>Amount</u>
Common Stock	\$2,515,000,000
\$25 Cumulative Preferred Stock	128,754,950
\$100 Cumulative Preferred Stock	148,080,000
First and Refunding Mortgage Bonds	3,668,415,000
Other Debt Securities (Promissory Notes)	<u>240,000,000</u>
Total	<u>\$6,700,249,950</u>
5% Limit Allowed by 823(c)	\$ 335,012,498
Total Amount of Excess over Limit	<u>\$ 441,288,502</u>
Total Short-term Borrowing Ceiling	<u>\$ 776,301,000</u>

SoCal Edison's proposed \$776,301,000 outstanding balance of short-term debt at any one time represents 11.59% of the utility's current total capitalization (a reduction of almost 4% from its current short-term debt facility).

Currently before the Commission is SoCal Edison's A.05-02-018⁴ requesting authority to issue up to \$2.0 billion of debt securities and up to \$500,000,000 of preferred stock. We take notice of that filing and will refer to and use information from this Application and A.05-02-018 in this decision. SoCal Edison claims that during times when market conditions make long-term financing unattractive, it may need to issue short-term debt to finance its construction expenditures and cash requirements. When market conditions for long-term securities improve, the short-term

⁴ SoCal Edison's estimated construction expenditures and cash requirements for the years 2005 through 2007, shown as A14 of Exhibit A to the Application show a total requirement of \$8.03 billion (\$4.64 billion of this would be funded from internal sources and approximately \$3.39 billion would be from new funds from outside sources). See also page 15 of this decision.

borrowing will be reduced. Similarly, debt maturities, opportunities to redeem or repurchase securities at low cost, changes in cash flows, or other unexpected events may make it necessary or desirable for SoCal Edison to increase its short-term borrowing temporarily to meet cash needs. Again, short-term borrowing will be reduced when practicable.

SoCal Edison states that the availability of the \$441,288,502 amount in excess of the 5% limit is important to SoCal Edison because it allows necessary flexibility to meet short-term borrowing requirements and manage financing needs in a way that reduces overall debt and equity costs.

Request for Secured Debt Authorization

SoCal Edison states in the Application that it has not yet regained the credit standing that it had before the California energy crisis. In its current situation, SoCal Edison has found it can reduce its borrowing costs by issuing secured debt in the form of first and refunding mortgage bonds under its indenture dated October 1, 1923, as amended and supplemented, and filed with the Commission. Because each new first mortgage bond would be an additional encumbrance on SoCal Edison's utility properties, SoCal Edison also requests authorization under § 851 to have the option to mortgage and encumber utility property in connection with its short-term borrowings.

In a typical transaction, SoCal Edison would enter into a credit agreement with an administrative agent and a group of banks and other institutional lenders. The credit agreement would allow SoCal Edison to obtain loans and letters of credits from the lenders. The loans would be evidenced by a credit agreement and notes issued by SoCal Edison.

In relation to this Application, SoCal Edison requests authorization to be able to secure short-term loans (maturities of 12 months or less) by issuing a first mortgage bond to the administrative agent with a nominal principal amount and maturity equal to the amount and term of the credit agreement. The actual amount and term of the debt represented by the first mortgage bond would be exactly equal to the amount and term of the loans under the credit agreement. The first mortgage bond could be treated as short-term debt to the same extent as the loans under the credit agreement. Payments of the loans would be deemed payments of the first mortgage bond, and each loan, together with the corresponding amount of the first mortgage bond, would constitute a single secured short-term evidence of indebtedness.

By securing its short-term borrowing in this manner, SoCal Edison claims that it can take advantage of its higher secured debt rating, increase the participation of lenders in its credit facilities, and lower its short-term borrowing costs. SoCal Edison believes this would benefit its customers.

In connection with each new series of first mortgage bonds, SoCal Edison would enter into a supplemental indenture in a form consistent with supplemental indentures previously filed with the Commission.

Section 851 states in part that no public utility shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its... system or other property necessary or useful in the performance of its duties to the public..., without first having secured from the commission an order authorizing it so to do.

Section 823(d) states that no note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other

evidence of interest or ownership, or of bonds, notes or any term or character, or any other evidence of indebtedness, without the consent of the Commission.

Because the first mortgage bonds acts as a guarantee and an evidence of indebtedness (although there is no new money involved in this arrangement), it is necessary that we authorize the securing of the short-term debt facility (supplemental indenture) pursuant to § 823(d) and the encumbrance of utility assets to secure debt pursuant to § 851.

In relation to the provision of § 851, the primary function of the Commission is to determine whether encumbrance of utility property is in the public interest. SoCal Edison believes that the cost of a secured debt is considerably less than an unsecured debt and that ratepayers will benefit from a secured debt facility. SoCal Edison's latest senior secured credit ratings are "A3" from Moody's and "BBB+" from Standard and Poor's.

SoCal Edison's proposed security for the short-term debt facility is similar to a debt issue secured by a pledge or assignment of accounts receivable. Accounts receivable financing is a structured transaction and is an encumbrance on utility property because accounts receivable are considered to be utility property.

In D.04-01-024 dated January 8, 2004 in Investigation (I.) 02-07-015, relating to Pacific Gas and Electric Company's (PG&E) finance related bankruptcy reorganization, the Commission recognized that before PG&E filed for bankruptcy, it was able to issue commercial paper to borrow for short-term needs. In that decision the Commission permitted PG&E to enter into lines of credit and to pledge or sell its accounts receivable or to use its accounts receivable as collateral to secure borrowing as a part of emerging from bankruptcy. The Commission held that this form of

securitization is a reasonable tool to reduce costs or to ensure the availability of the necessary financing.

We will grant SoCal Edison's request to be able to secure its short-term borrowing by issuing first mortgage bonds and entering into supplemental indentures, and encumbering utility property. The security interest in SoCal Edison's assets may lower SoCal Edison's short-term borrowing costs.

Since 1980, the Commission has granted SoCal Edison authority to use short-term debt in excess of the limitations of § 823(c). This has provided the utility with the necessary flexibility to use short-term borrowings when market conditions for long-term financing were not attractive. On the other hand, when market conditions for long-term securities improve, SoCal Edison necessarily reduces its short-term borrowings.

In D.96-07-054 dated July 17, 1996 (one of the several decisions that extended the authorization period of D.91433), the Commission also ordered SoCal Edison to maintain or bring down the aggregate amount of its short-term borrowings to 5% of the par value of the other securities⁵ then outstanding at least once every twelve months. This provision was made to ensure that SoCal Edison's debt portfolio will not be concentrated in short-term instruments for an excessive period of time, while allowing SoCal Edison the flexibility to pursue the benefits of short-term financing when market conditions for such are favorable. In D.97-11-012 dated November 5, 1997 pertaining to San Diego Gas & Electric Company

⁵ Long-term debt, preferred stock and common stock.

(SDG&E), the Commission also applied the same provision or restriction to its short-term debt authority.

SoCal Edison filed A.05-02-025 in order to secure authorization for its future short-term borrowing requirements. In D.94-10-047 dated October 26, 1994, the Commission granted Sierra Pacific Power Company the authority to go beyond that authorized by § 823(c) in the aggregate principal amount of \$44,704,424. In that decision, the Commission stated in the Findings of Fact that granting Sierra Pacific the authority for a period of three years would not alter or impede the Commission's objective of monitoring the issuance of short-term debts in accordance with § 823. Again, in D.02-12-067, the Commission granted SDG&E its short-term financing facility for a period starting January 1, 2003 up to and including December 31, 2007.

SoCal Edison's request for approval for a \$441,288,502 amount of short-term borrowings in excess of the limitations of § 823(c) raises no questions that should dissuade us from giving favorable consideration to the authority requested. We will grant the authority requested in the Application for a period commencing July 1, 2005 up to June 30, 2010. The action prescribed in this instance will not change or alter SoCal Edison's \$441,288,502 authority granted since 1980. Having explicitly determined the \$441,288,502 amount as reasonable previously, we see no reason to object to it at this time and will allow SoCal Edison the same amount of authorization. We will also authorize SoCal Edison to secure its short-term borrowings by issuing first mortgage bonds, entering into supplemental indentures, and encumbering utility property.

SoCal Edison must maintain or bring down the aggregate amount of short-term borrowings to 5% of the par value of the other securities then

outstanding at least once every twelve months and must file an annual report in compliance with this requirement.

Competitive Bidding Rule

SoCal Edison requests an exemption from the Competitive Bidding Rule for the issuance of first and refunding mortgage bonds to secure its short-term notes because this type of transaction does not lend itself to competitive bidding. In this transaction, SoCal Edison would enter into a credit agreement with an administrative agent and a group of banks and other institutional lenders. The credit agreement would allow SoCal Edison to obtain loans and letters of credit from the lenders and serve as support for the issuance of commercial paper. The loans would be evidenced by the credit agreement and notes issued by SoCal Edison. To secure the loans, SoCal Edison would issue a first mortgage bond to the administrative agent. As discussed earlier, the actual amount and term of the debt represented by the first mortgage bond would be exactly equal to the amount and term of the loans under the credit agreement. SoCal Edison believes that the first mortgage bond should be treated as short-term debt to the same extent as the loans under the credit agreement. Payments of the loans would be deemed payments of the first mortgage bond, and each loan, together with the corresponding amount of the first mortgage bond, would constitute a single secured short-term evidence of indebtedness.

Since the loan under the credit agreement would be exempt from the Competitive Bidding Rule on the basis that it is a security privately placed with specific lenders in a negotiated transaction, the first mortgage bonds should be exempt as well. It would be impossible to competitively bid the issuance of the first mortgage bond in such a situation since the bond is not being issued to the public but rather to the administrative agent as security for the credit facility. By securing short-term borrowing in this manner,

SoCal Edison can take advantage of its higher secured debt rating, increase the participation of lenders in its credit facilities, and lower its short-term borrowing costs.

Exhibit A to Resolution (Res.) F-616 dated October 1, 1986, states, “Securities privately placed with specific lenders and bank term loans obviously must be negotiated. Competitive Bidding is not presently available in European or Japanese markets. Certain tax-exempt pollution control bonds have terms which are specifically negotiated. Variable interest rate debt securities are normally completed on a negotiated basis. It is reasonable that these types of debt instruments should be exempt from the Competitive Bidding Rule.” Moreover, notes and variable rate debt securities are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for issuing commercial paper.

The Commission approved SoCal Edison’s request for an exemption from the Competitive Bidding Rule in D.03-12-004 for debt issues such as “obtaining loans, issuing variable or floating rate Debt Securities... and notes and tax-exempt securities” (D.03-12-004, p.19). SoCal Edison has in the past issued tax-exempt pollution control bonds that are secured by first and refunding mortgage bonds in issues exempt from the Competitive Bidding Rule. Such transactions are similar to the situation where first mortgage bonds secure loans under a credit agreement.

In D.02-12-067, the Commission authorized SDG&E to issue commercial paper, promissory notes, and other evidences of indebtedness and credit and financing agreement and arrangements with various banks or other financial institutions or lenders to evidence its short-term debt authority. D.02-12-067 states that short-term debt and commercial paper

borrowings do not fall within the classes of debt covered by the Competitive Bidding Rule.

SoCal Edison's request for exemption is within the purview of the modified and prevailing conditions of enforcement and exemptions defined in Res. F-616. We place SoCal Edison on notice that the reasonableness of any resulting interest rate and cost of money arising from debt capital are normally subject to review in cost of capital or general rate case proceedings.

Mandated Loan Fee

SoCal Edison paid the fee required by § 1904(b) on March 24, 1980, for the short-term debt borrowing authority granted in D.91433, as extended by D.93787, D.84-05-060, D.85-06-010, D.87-05-044, D.90-08-050, D.93-09-035, D.96-07-054, and D.99-06-046. SoCal Edison filed A.05-02-025 in a timely manner seeking authority to retain the \$441,288,502 amount in excess of the 5% limit from July 1, 2005 until June 30, 2010.

No further fee will be assessed.

Financial Information**A. Current Financing Authorization**

The remaining amounts of SoCal Edison's financing authorization are as follows:

<u>Decision No./ Date</u>	<u>Authority/Type</u>	<u>Remaining Authority as of 12/31/04</u>
00-10-063	\$1,584,849,000 Debt Securities	\$475,000,000
10/19/00	\$250,000,000 Preferred Securities	\$250,000,000
03-12-004	\$3,000,000,000 Debt Securities	\$1,639,685,000
12/4/03	\$300,000,000 Preferred Securities	\$300,000,000
91433, et seq.	Short-Term Borrowing	Expiring 6/30/05
00-10-140	\$700,000,000 Balancing Account	\$550,000,000
10/10/00		
03-11-018	\$750,000,000 Fuel Inventories	\$600,000,000
11/13/03		

B. Construction Budget

SoCal Edison's forecasted capital expenditures for calendar years 2005 through 2007 are as follows:

(\$ in millions)

<u>Components</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Generation	\$ 319	\$ 206	\$ 222
Distribution	845	1,011	953
Transmission	169	221	462
Other	<u>357</u>	<u>427</u>	<u>444</u>
Total	<u>\$1,690</u>	<u>\$1,865</u>	<u>\$2,081</u>

SoCal Edison's forecasted capital budget for 2005 through 2007 totals \$5,636,000,000

C. Cash Requirements Forecast

SoCal Edison's Statement of Cash Requirements for 2005 through 2007 is as follows:

	(\$ in millions)			
<u>Uses of Cash</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Funds Used or Required for				
Construction Expenditures	\$1,690	\$1,865	\$2,081	\$5,636
Maturities/Refinancings:				
Maturities of Long-term Debt	650	681	316	1,647
Rate Reduction Bonds Payments	246	246	246	738
Preferred Stock Redemption	4	9	79	92
Short-term Debt	<u>0</u>	<u>(98)</u>	<u>16</u>	<u>(82)</u>
Total	\$2,590	\$2,703	\$2,738	\$8,031
Less: Estimated Cash Avail- able from Internal Sources	<u>1,308</u>	<u>1,563</u>	<u>1,771</u>	<u>4,642</u>
Additional New Funds Required from Outside Sources	<u>\$1,282</u>	<u>\$1,140</u>	<u>\$ 967</u>	<u>\$3,389</u>

D. Funds from Outside Sources

SoCal Edison proposes to secure the funding⁶ as follows:

(\$ in millions)				
<u>Source of Capital Funding</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
Issue of Bonds	\$ 650	\$1,026	\$ 787	\$2,463
Issue of Preferred Equity	632	114	180	926
Issue of Common Equity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,282</u>	<u>\$1,140</u>	<u>\$ 967</u>	<u>\$3,389</u>

SoCal Edison's Statement of Cash Requirements for the three years represented above indicates that it will require additional funds from external sources amounting to about \$3.4 billion. The requested authority in A.05-02-018 for the issuance of \$2 billion debt and an estimated \$500 million proceeds from the sale of Preferred/Preference Stock are necessary to help meet the forecasted cash requirements. In addition, SoCal Edison will use certain existing unused debt and capital authorities to augment its financial requirements, as shown in the Capital Ratios section that follows.

⁶ For all years presented, there will be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The exact timing and amount of future financing will depend on numerous internal and external factors.

E. Capital Ratios

SoCal Edison's capital ratios as of December 31, 2004, are shown below as recorded and as adjusted to give pro forma effect to the transactions listed:

(\$ in thousands)					
	<u>Recorded</u>			<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Adjustments</u>	<u>Amount</u>	<u>Percent</u>
Long-Term Debt	\$ 5,417,074	53.0	\$3,595,310 (a)	\$ 9,012,384	60.4
Preferred and					
Preference Equity	276,835	2.7	1,101,920 (b)	1,378,755	9.3
Common Equity	<u>4,520,970</u>	<u>44.3</u>	<u>0</u>	<u>4,520,970</u>	<u>30.3</u>
Total	<u>\$10,214,879</u>	<u>100.0</u>	<u>\$ 4,697,230</u>	<u>\$14,912,109</u>	<u>100.0</u>

(a) Long-term Debt

Issues:

(1) Debt Securities related to fuel inventories –	
Authorized but unissued	\$ 600,000,000
(2) Debt Securities related to balancing accounts –	
Authorized but unissued	550,000,000
(3) Debt Securities – Authorized but unissued	2,114,685,000
(4) Amount requested in A.05-02-018	<u>2,000,000,000</u>
Sub-total	\$5,264,685,000

Maturities/Redemptions:

(1) 2005-2007	<u>(\$1,669,375,000)</u>
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Total	<u>\$3,595,310,000</u>
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(b) Preferred Stock

Issues:

(1) Authorized but unissued	\$ 550,000,000
(2) Amount requested in A.05-02-018	<u>700,000,000</u>
Sub-total	\$1,250,000,000

Redemptions:

(1) 2005	<u>(\$ 148,080,000)</u>
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Total	<u>\$1,101,920,000</u>
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SoCal Edison's authorized capital structure as shown in D.04-12-047 dated December 16, 2004, consists of 48% common equity, 9% preferred equity, and 43% long-term debt.

Capital structures are normally subject to review in cost of capital or general rate case proceedings. We will not, therefore, make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes.

Use of Proceeds

SoCal Edison intends to use the proceeds from the short-term debt facility for all of the purposes specified in § 817, including plant construction.

Category and Need for Hearings

In Resolution ALJ 176-3149 dated March 17, 2005, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that an evidentiary hearing would not be necessary. Based on the record of this proceeding, we affirm that this is a ratesetting proceeding and that a hearing is not necessary.

Comments on the Draft Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Kevin P. Coughlan is the assigned Examiner in this proceeding.

Findings of Fact

1. SoCal Edison, a California corporation, is a public utility subject to the jurisdiction of this Commission.

2. SoCal Edison needs external funds for the purposes set forth in the Application.

3. SoCal Edison is currently authorized by D.91433 as modified to issue short-term notes in an aggregate principal amount not to exceed \$441,228,502 beyond the amount authorized by § 823(c). This authority will expire on June 30, 2005.

4. The authority to issue short-term obligations is for proper purposes, not adverse to the public interest.

5. To provide a security instrument that supports the short-term debt facility is not adverse to the public interest.

6. SoCal Edison's Application is a renewal of its current short-term authorization which will expire on June 30, 2005.

7. The reasonableness of any resulting interest rate and cost of money arising from debt securities is normally subject to review in cost of capital or general rate case proceedings.

8. Requiring SoCal Edison to maintain or bring down the aggregate amount of short-term borrowings to 5% of the par value of the other securities then outstanding at least once every twelve months is reasonable. It would still allow SoCal Edison flexibility to use short-term borrowings when market conditions for long-term debt are not favorable. It is reasonable for SoCal Edison to file an annual compliance report for this requirement with Water Division's Audit and Compliance Branch.

9. Transactions which relate to obtaining loans, issuing variable rate debt securities, foreign securities, and notes are exempt from the Commission's Competitive Bidding Rule.

10. Notice of the filing of the Application appeared on the Commission's Daily Calendar of February 28, 2005, and no protests have

been received. There is no know opposition to the Application and no reason to delay granting the authority requested.

Conclusions of Law

1. This is a ratesetting proceeding.
2. A public hearing is not necessary.
3. The Application should be granted to the extent set forth in the order that follows.
4. The proposed short-term borrowings are for lawful purposes.
5. This decision will take effect July 1, 2005, and will replace SoCal Edison's short-term borrowing authorization whereby a fee has been paid to the Commission. Accordingly, there is no fee due or payable with respect to this Application.
6. The Application should be granted to the extent set forth in the order that follows.
7. The following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SoCal Edison), on or after July 1, 2005 and up to and including June 30, 2010, may issue short-term obligations in the aggregate principal amount not to exceed, at any one time, \$441,288,502, upon terms and conditions substantially consistent with those set forth or contemplated in Application (A.) 05-02-025 (Application). This authorization is in addition to the aggregate principal amount of notes payable at periods of not more than 12 months otherwise authorized without Commission approval by Pub. Util. Code § 823(c).

2. SoCal Edison is authorized to secure its short-term borrowings by issuing first mortgage bonds; enter into supplemental indentures; and encumber utility property in connection with this financing order.

3. SoCal Edison shall maintain or bring down the aggregate amount of short-term borrowings to 5% of the par value of the other capital (long-term debt, preferred stock and common stock) then outstanding at least once every twelve months, and shall file an annual report in compliance with the requirement, forty five days after the end of each year, starting in 2005. The report shall be sent to the Water Division's Audit and Compliance Branch.

4. SoCal Edison's short-term debt facility is exempt from the Competitive Bidding Rule.

5. On or before the 25th day of the month following each quarter, SoCal Edison shall file a report for the preceding quarter showing all receipts and disbursements required by General Order Series 24.

6. Application 05-02-025 is granted as set forth above.

7. Application 05-02-025 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
SUSAN P. KENNEDY
Commissioners